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BY

THE HONOURABLE JEAN-JACQUES BLAIS

MINISTER OF SUPPLY AND SERVICES CANADA

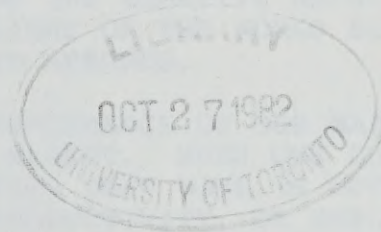
AND

MINISTER RESPONSIBLE FOR STATISTICS CANADA

TO MEMBERS OF THE RICHELIEU CLUB

TORONTO, ONTARIO

MONDAY, NOVEMBER 1, 1982



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DEAR FRIENDS, MEMBERS OF THE RICHELIEU CLUB:

IT GIVES ME GREAT PLEASURE TO BE BACK AMONG FRIENDS. IT SEEMS LIKE JUST A FEW YEARS AGO (SOME OF YOU WILL SAY MANY YEARS AGO) WE WERE SITTING TOGETHER ON THE OTHER SIDE OF THE MIKE LISTENING TO SPEAKERS WHOSE MESSAGES, I DARESAY, WERE MORE COLOURFUL THAN THE ONE I'M ABOUT TO DELIVER.

BACK IN THE CAREFREE SIXTIES, WE VIEWED THE STATE OF OUR ECONOMY IN THE SMUG CERTAINTY OF EXPONENTIAL GROWTH IN CANADA AND OTHER INDUSTRIALIZED NATIONS. THOSE WERE THE DAYS OF MORE THAN FIVE PER CENT ANNUAL GROWTH, OF JOB CREATION, OF UPLIFTING DREAMS.

TODAY, ALMOST FIFTEEN YEARS LATER, I WOULD LIKE TO SPEAK TO YOU ABOUT AN ECONOMIC SITUATION YOU ALL KNOW. BUT I'D LIKE TO DO IT IN AN ENLIGHTENED WAY AND OFFER YOU, ABOVE ALL, OPTIMISM BASED ON OUR POTENTIAL.

AS YOU WELL KNOW, THE CURRENT ECONOMIC FACTS ARE NOT PLEASANT FOR CANADA. OUR GROSS NATIONAL PRODUCT, MEASURED IN CONSTANT DOLLARS, IS DOWN 6% FROM THE SECOND QUARTER OF 1981. THE MANUFACTURING SECTOR ALONE DECLINED 14.1% BETWEEN THE SECOND QUARTERS OF 1981 AND 1982.

OUR UNEMPLOYMENT RATE IS MORE THAN 12%; OUR ECONOMY HAS LOST NEARLY 500,000 JOBS IN THE PAST YEAR ALONE. THE CONSUMER PRICE INDEX SHOWS THAT INFLATION IS OVER 10% DESPITE DECLINING IN EACH OF THE PAST FOUR MONTHS. THE FEDERAL BUDGET DEFICIT WILL NO DOUBT EXCEED LAST YEAR'S ESTIMATE AND WE ARE ACTUALLY FACING A DEFICIT WHICH WILL SURPASS 20 BILLION DOLLARS.

WE MUST FACE THE MUSIC AND VIEW ECONOMIC CONDITIONS FROM A GLOBAL PERSPECTIVE, WITHOUT DEFENSIVENESS OR ILLUSION. BUT WE MUST ALSO AVOID DWELLING ON THE NEGATIVE ASPECTS AND ASSESS OUR ECONOMIC PROBLEMS IN LIGHT OF THE WORLD ECONOMIC SITUATION AND THE OPPORTUNITIES IT AFFORDS.

I'M REFERRING TO THE PERFORMANCE OF OUR MAJOR COMPETITORS ON THE INTERNATIONAL MARKET. WHEN ONE LOOKS AT THE LEADING OECD COUNTRIES, ONE REALIZES THAT NONE IS OUTPERFORMING US IN TERMS OF ECONOMIC GROWTH, PRODUCTIVITY, OR EMPLOYMENT CONTROL -- NOT EVEN JAPAN, WHOSE ECONOMIC INDICATORS WE OFTEN ENVY.

POLITICIANS HAVE A TENDENCY TO FEEL VULNERABLE IN TIMES LIKE THESE. WE SOMETIMES FEEL WE'RE HANGING ONTO OUR FUTURE BY A THREAD. JUST ASK HELMUT SCHMIDT!

THROUGH IT ALL WE HAVE REMAINED UNDAUNTED. AND WHY SHOULDN'T WE, SINCE IN TERMS OF POTENTIAL, WE RANK WITH THE BEST OF THESE COUNTRIES. I'M FROM NORTHERN ONTARIO - I KNOW.

CANADA IS TEEMING WITH NATURAL RESOURCES. WE HAVE DOMESTIC SUPPLIES OF ENERGY, MINERAL COMMODITIES AND FOOD. ENOUGH NOT ONLY TO MEET OUR OWN NEEDS, BUT ALSO TO EXPORT. IN AGRICULTURE, WE'VE SEEN THE WEST PRODUCE ENOUGH GRAIN TO GIVE US OUR BEST-EVER EXPORT CROP. WE EXPORT ALMOST TWO THIRDS OF THE GRAIN WE PRODUCE AND I CAN TELL YOU THAT EVEN IN NORTHERN ONTARIO, FEED GRAIN OUTPUT IS UP. SO THE OVERALL AGRICULTURAL PICTURE LOOKS GOOD.


AS FAR AS MINERALS ARE CONCERNED, IT'S TRUE THAT THIS INDUSTRY HAS BEEN HARD HIT ON WORLD MARKETS, BUT WE ALL KNOW THE CANADIAN SHIELD CONTAINS A WEALTH OF MINERALS; AND, CANADA PRODUCES MOST OF THE MINERALS TRADED ON WORLD MARKETS.

INDEED, WE HAVE CURRENTLY, AND TYPICALLY, A SUBSTANTIAL SURPLUS IN OUR BALANCE OF MERCHANDISE TRADE. OVER THE PAST THREE MONTHS, THE VALUE OF GOODS WE EXPORTED EXCEEDED THAT OF THE GOODS IMPORTED BY ALMOST FOUR AND ONE HALF BILLION DOLLARS, WHICH SPEAKS ELOQUENTLY FOR OUR ECONOMIC POTENTIAL. HOWEVER, IT ALSO ATTESTS TO OUR DEPENDENCE ON FOREIGN MARKETS: 30 PER CENT OF OUR GROSS NATIONAL PRODUCT, 30 CENTS PER DOLLAR, IS DIRECTLY DEPENDENT ON OUR SUCCESS IN THE INTERNATIONAL MARKETPLACE. YOU CAN WELL IMAGINE WHAT THE LOSS OF THIS SOURCE OF INCOME WOULD DO TO OUR ECONOMY.

BUT CANADA IS A SMALL COUNTRY IN TERMS OF POPULATION. IN A GROUP OF MAJOR INTERNATIONAL TRADERS THAT INCLUDES THE FEDERAL REPUBLIC OF GERMANY, JAPAN, THE UNITED STATES, FRANCE, ENGLAND AND ITALY, WE ARE THE ONLY COUNTRY WITHOUT ACCESS TO A DOMESTIC MARKET OF 100 MILLION OR MORE. WHAT IS MORE, OUR SMALL MARKET IS FRAGMENTED INTO 11 REGIONS. JUST GO INTO ANY ONTARIO LIQUOR CONTROL BOARD STORE AND TRY TO GET A BOTTLE OF QUEBEC OR B.C. WINE. YOU'LL HAVE ABOUT AS MUCH CHANCE OF FINDING A BOTTLE OF ONTARIO WINE IN A QUEBEC LIQUOR STORE. THIS FRAGMENTATION IS A PROBLEM THAT MUST BE ADDRESSED.

THUS, IF WE ARE TO RETAIN OUR HIGH STANDARD OF LIVING, WE MUST WORK VIGOROUSLY TO ENSURE OUR CONTINUING COMMERCIAL VIABILITY IN WORLD MARKETS. THE TRADE SURPLUS I ALLUDED TO PREVIOUSLY WOULD APPEAR TO SUGGEST WE ARE COMFORTABLY AND COMPETITIVELY ENSCONCED IN THOSE MARKETS. HOWEVER, THIS TRADE SURPLUS STEMS FROM LARGE NET EARNINGS FROM OUR TRADE IN FOOD PRODUCTS, RAW MATERIALS AND SEMI-FINISHED GOODS. BUT, CANADA RUNS A PERSISTENTLY LARGE DEFICIT IN FINISHED GOODS -- 21 BILLION DOLLARS IN 1981. YES, 21 BILLION DOLLARS. SINCE THE MANUFACTURING OF FINISHED GOODS TENDS TO PROVIDE FOR MORE JOB CREATION THAN RESOURCE DEVELOPMENT, IT SEEMS CLEAR THAT WE MUST SELECTIVELY SEEK OUT OPPORTUNITIES AND METHODS TO DEVELOP OUR MANUFACTURING CAPACITY.

STUDIES BROUGHT TO MY ATTENTION INDICATE THAT FOR EACH MILLION DOLLARS INVESTED IN MANUFACTURING, WE CREATE 15 JOBS, WHEREAS FOR EACH MILLION INVESTED IN THE DEVELOPMENT OF NATURAL RESOURCES, WE CREATE ONE JOB. ONE BIG JOB.



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NOW, AT THE SAME TIME, WE HAVE TO MAKE OUR INTERNATIONAL MARKETING EFFORTS MORE EFFECTIVE. OBVIOUSLY, PEOPLE FROM MY NECK OF THE WOODS HAVE MADE THEIR LIVING BY SELLING ALL THEIR GOODS IN CANADA OR AT BEST IN NORTH AMERICA. WE NOW REALIZE THAT THE DOMESTIC MARKET IS DECLINING AND THAT CANADIANS ARE LOOKING FOR NEW MARKETS FURTHER AFIELD.

IN RECENT YEARS I HAVE HAD OCCASION TO DO BUSINESS IN VARIOUS COUNTRIES OF NORTH AFRICA, ASIA MINOR AND SOUTHEAST ASIA. EVERYWHERE I WENT, EXCEPT ALGERIA, PEOPLE ASKED ME, "WHERE ARE THE CANADIANS? WHERE IS THEIR INTERNATIONAL MARKETING?" IT WOULD ONLY HAVE BEEN STATING THE OBVIOUS TO HAVE REPLIED, "HOW CAN YOU BREAK INTO A MARKET WHERE YOUR PRODUCTS ARE UNKNOWN?"

ROBERT McNAMARA, EX-PRESIDENT OF THE WORLD BANK, WAS TALKING THE OTHER DAY ABOUT THE ACTIVITIES OF INDUSTRIALIZED NATIONS IN DEVELOPING COUNTRIES. HE SPOKE OF THE IMPORTANCE OF STARTING AT THE BEGINNING, OF USING THE COUNTRY'S NATURAL BASE (ITS NATURAL RESOURCES) BEFORE PROCEEDING WITH INDUSTRIALIZATION. ALGERIA IS USING THE INCOME FROM THESE VERY RESOURCES TO FINANCE ITS INDUSTRIAL DEVELOPMENT.

THIS IS THE CONTEXT IN WHICH CANADA, WITH A LIMITED DOMESTIC MARKET AND WITH SATURATED MARKETS IN THE DEVELOPED COUNTRIES, HAS AT TIMES SUCCEEDED IN OPENING UP NEW MARKETS BY MARRYING ITS OWN COMMERCIAL POLICIES WITH THE DEVELOPMENT PLANS OF GROWING NATIONS LIKE ALGERIA.

I HAVE SEEN A NUMBER OF QUEBEC FIRMS MAKE THIS CONCEPT WORK IN ALGERIA. I NEED ONLY MENTION LAVALIN, WHICH HAS CONSTRUCTED A BREATHTAKING MONUMENT ON ALGERIA'S HIGHEST PROMONTORY - AN OUTSTANDING ADVERTISEMENT FOR CANADIAN ENGINEERING AND TECHNOLOGY. WHILE IN THAT COUNTRY, I ALSO VISITED THE WORKSITES OF TRECO, A HOUSING CONSTRUCTION COMPANY FROM SAINT-ROMUALD (NOT FAR FROM QUEBEC CITY), WHICH IS IN THE PROCESS OF CONSTRUCTING 1,200 NEW DWELLING UNITS TO GO ALONG WITH THE 500 ALREADY COMPLETED. CANADA AND CANADIAN TECHNOLOGY ARE THEREFORE IN DEMAND AND ARE SALEABLE COMMODITIES ON FOREIGN MARKETS. OUR LACK OF AGGRESSIVENESS IN MARKETING THIS TECHNOLOGY IS OFTEN OUR OWN WORST ENEMY.

CANADA IS THEREFORE EARNING INCOME FROM ITS INDUSTRIAL ACTIVITIES IN ALGERIA WHILE HELPING THAT COUNTRY LAY THE FOUNDATIONS FOR INDUSTRIAL DEVELOPMENT. ALGERIA NOW RECOGNIZES THAT OUR INTEREST, FAR FROM BEING LIMITED TO THE SALE OF FINISHED GOODS, EMBRACES WORLDWIDE ECONOMIC DEVELOPMENT.

ONLY BY ADOPTING A CONSTRUCTIVE ATTITUDE TOWARD THESE COUNTRIES CAN CANADA HOPE TO PENETRATE NEW MARKETS. LONG GONE ARE THE DAYS WHEN A WESTERN COUNTRY COULD SHOW UP IN KINSHASA, KUALA LAMPUR OR ALGERIA WITH A SUITCASE FULL OF TOYS AND LEAVE WITH A SUITCASE FULL OF MONEY. OUR CANADIAN COMPANIES HAVE TO MAKE A COMMITMENT TO THE LONG-TERM DEVELOPMENT OF THESE COUNTRIES. OUR ECONOMIC DEVELOPMENT HINGES ON THE FUTURE OF THESE MARKETS AND THEIR STABILITY.

THIS BRINGS ME TO THE QUESTION OF THE RELATIONSHIP BETWEEN IMPORTS AND THE OWNERSHIP STATUS OF THE FIRMS DOING THE IMPORTING. A RECENT STATISTICS CANADA STUDY HAS REVEALED SOME INTERESTING FACTS ABOUT THE COMPANIES OPERATING IN CANADA. IN 1978, FOREIGN-CONTROLLED FIRMS ACCOUNTED FOR 72% OF OUR IMPORTS. THE VALUE OF IMPORTS FOR CANADIAN-CONTROLLED FIRMS REPRESENTED ONLY 4.3% OF SALES, AS COMPARED WITH 22% FOR THE FOREIGN-CONTROLLED FIRMS. FOREIGN-CONTROLLED FIRMS IMPORTED 29% AS COMPARED WITH ONLY 8% BY CANADIAN FIRMS -- A MAJOR DISCREPANCY.

THUS WE SEE THAT FIRMS UNDER FOREIGN CONTROL TEND TO IMPORT MORE THAN CANADIAN-CONTROLLED FIRMS. AND, IN THIS CONNECTION, IT IS SIGNIFICANT THAT CANADA HAS THE HIGHEST PROPORTION OF ITS INDUSTRY UNDER FOREIGN OWNERSHIP AND CONTROL OF ANY INDUSTRIALIZED COUNTRY IN THE WORLD. IT CAN THEREFORE NO LONGER BE DISPUTED THAT FIRA, WHICH HAS BEEN THE TARGET OF SO MUCH CRITICISM, IS A VITAL ASSET TO THE DEVELOPMENT OF CANADA'S MANUFACTURING SECTOR. THESE COMPANIES HAVE TO BE MADE TO UNDERSTAND THE NEEDS OF THE CANADIAN ECONOMY, THE NEED TO ENCOURAGE A SUPPLY SYSTEM, THE NEED TO DEVELOP A DOMESTIC MANUFACTURING INFRASTRUCTURE. WE HAVE TO USE WHATEVER LEVERS ARE AVAILABLE TO US TO GET THEM TO DO MORE BUSINESS WITH CANADIAN COMPANIES; A CHANGE IN THEIR SUB-CONTRACTING POLICY WOULD BE A GOOD PLACE TO START.

NOW LET ME TURN FROM THIS THUMB-NAIL SKETCH OF ECONOMIC FACTS TO THE QUESTION OF WHAT WE AS CANADIANS CAN DO. ON THE INFLATION FRONT, THE JOINT EFFORTS OF THE FEDERAL, PROVINCIAL AND MUNICIPAL GOVERNMENTS, THE PRIVATE SECTOR, THE PUBLIC AND EVEN MANY LABOUR LEADERS HAVE BEEN MOST HEARTENING; I'M REFERRING OF COURSE TO THE 6 AND 5 POLICY. THE EARLY IMPACT OF THIS PROGRAM HAS BEEN EXTREMELY POSITIVE: NOT ONLY HAS IT RESTRAINED INFLATIONARY WAGE AND PRICE INCREASES AND INFLATIONARY EXPECTATIONS, BUT THE COOPERATIVE EFFORT IT HAS FOSTERED BETWEEN ALL SECTORS HAS SHOWN US A NEW WAY TO CONSULT. I HAVE PARTICIPATED IN SEVERAL MEETINGS AND MET MY OWN SUPPLIERS; THE COOPERATION RECEIVED FROM THE PRIVATE SECTOR HAS CONSISTENTLY BEEN NOTHING SHORT OF 100%.

AS THE PRIME MINISTER REITERATED SOME TIME AGO, THIS CONSULTING PROCESS CAN LEAD TO IMPROVED COOPERATION IN OTHER AREAS AS WELL.

WHAT IS MY ROLE IN THIS SCENARIO AS MINISTER OF SUPPLY AND SERVICES? IN 1981, MY DEPARTMENT PURCHASED 4.8 BILLION DOLLARS WORTH OF GOODS AND SERVICES. TOTAL GOVERNMENT PROCUREMENT AT THE FEDERAL AND PROVINCIAL LEVELS AMOUNTED TO MORE THAN 40 BILLION DOLLARS. TOGETHER WITH MY PROVINCIAL COUNTERPARTS, I AM THEREFORE IN A GOOD POSITION TO ENSURE THAT SUCH PROCUREMENT IS BENEFICIAL TO OUR NATIONAL AND REGIONAL ECONOMIC DEVELOPMENT.

ACCORDING TO OUR CALCULATIONS, CANADIAN SUPPLIERS ACCOUNT FOR 40 TO 50% OF FEDERAL GOVERNMENT PROCUREMENT. PROJECTING THESE FIGURES TO ALL LEVELS OF GOVERNMENT AND ITS VARIOUS OFFSHOOTS REVEALS THAT ABOUT 50% OF WHAT WE BUY WITH PUBLIC FUNDS COMES FROM FOREIGN COUNTRIES. FIFTY PER CENT OF 40 BILLION DOLLARS IS 20 BILLION DOLLARS. INCREASING THE CANADIAN CONTENT OF TOTAL PROCUREMENT BY A MERE 10% WOULD MEAN THE CREATION OF 140,000 NEW JOBS IN CANADA. BY EXTENSION, IF WE WERE ABLE TO INCREASE THE CANADIAN CONTENT LEVEL TO 100% WE COULD WIPE OUT UNEMPLOYMENT. IT'S SIMPLE ARITHMETIC: 100% CANADIAN CONTENT IN GOVERNMENT PURCHASING WOULD MEAN THE CREATION OF ONE MILLION 400 THOUSAND JOBS, OR ABOUT AS MANY JOBS AS THERE ARE PERSONS UNEMPLOYED.

BUT I'M NOT HERE TO BUILD CASTLES IN THE SKY. TEN PER CENT IS A REASONABLE FIGURE. IN ADDITION TO THIS DIRECT ACTION, STATISTICS CANADA, IN CONCERT WITH OTHER GOVERNMENT DEPARTMENTS, IS STUDYING THE DETAILED PATTERNS OF ALL CANADIAN IMPORTS. THESE STATISTICS WILL PROVIDE GUIDANCE FOR THE PRIVATE SECTOR TOWARD EFFECTIVE IMPORT REPLACEMENT INITIATIVES. THIS INFORMATION MUST BE SHARED WITH THE PRIVATE SECTOR TO ENCOURAGE IT TO SHOP CANADIAN.

OF COURSE, IMPORT REPLACEMENT, WHILE IMPORTANT, IS NOT ENOUGH. I'M NOT TALKING ABOUT PROTECTIONISM. I'M NOT HERE TO TELL YOU ONLY TO BUY CANADIAN. WHAT WE HAVE TO DO IS MAKE CANADIAN PRODUCTS COMPETITIVE WITH IMPORTS, BECAUSE, AS I JUST INDICATED, FOREIGN TRADE ACCOUNTS FOR 30% OF OUR GROSS NATIONAL PRODUCT. BY SETTING UP ROADBLOCKS TO IMPORTS WE'LL ONLY ROADBLOCK OURSELVES OUT OF FOREIGN MARKETS.

THEREFORE, WE OWE IT TO OURSELVES TO BECOME MORE COMPETITIVE IN THE MARKETPLACE. THIS MEANS KEEPING OUR PRICES AT COMPETITIVE LEVELS AND ADOPTING A MORE AGGRESSIVE ATTITUDE IN INTERNATIONAL TRADE WHILE INVESTIGATING AND ANTICIPATING WORLD MARKET REQUIREMENTS. WHILE IT IS BASICALLY UP TO THE PRIVATE SECTOR TO PENETRATE WORLD MARKETS, I BELIEVE GOVERNMENT HAS A CRUCIAL ROLE TO PLAY: IN ENCOURAGING, IN COORDINATING, IN PROVIDING INCENTIVES, IN SHORT, IN BEING A CATALYTIC AGENT FOR THE ACTIONS AND INTERACTIONS OF CANADIAN FIRMS PURSUING INTERNATIONAL TRADE.

FINALLY, ALLOW ME TO CONCLUDE BY SAYING THAT, WHILE WE IN CANADA ARE INDEED EXPERIENCING MAJOR PROBLEMS, WE ARE ALSO BLESSED WITH MORE ADVANTAGES THAN ANY OTHER COUNTRY IN THE WORLD. WHAT WE REALLY NEED IS CONSTRUCTIVE DIALOGUE. JUST AS YOU OF THE RICHELIEU CLUB COMMUNICATE IN A SPIRIT OF FRIENDSHIP AND COOPERATION, SO MUST WE AS A NATION COMMUNICATE TO ENSURE OUR SURVIVAL. THOROUGH DISCUSSION, VIRTUALLY DAILY, BETWEEN ALL ECONOMIC ACTORS IS THE ONLY FORMULA FOR SUCCESS.

THANK YOU

